

City of Darebin Energy Tender

Summary

This consultancy proposal is based on a cost of \$5750 if the partnership agreement is followed and \$7500 if the tender process is preferred. Up to an additional \$2500 would be required if Council decides before or after Task 1 that the organisation of a base load is necessary.

Co-operative Energy Ltd, Co-operative Purchasing Services Ltd and Brunswick Environmental and Energy Services Ltd have a strategic relationship and a history of working collaboratively together.

Schedule 2 notes that Council reserves the right to further negotiate with the successful organisation (s) the specific requirements of the project.

This is supported because of fluidity in the market and the conditions for the operation of the market.

In particular, Council should consider the significance of initiating a start-up load for establishing bargaining power in either a partnership arrangement or a tender process. Unless directed otherwise by Council, this could be addressed in Step 1 Tasks.

Co-operative/Corporate Profiles

The parties to this tender comprise three organisations with complementary experiences and skills.

Brunswick Energy & Environmental Services Pty Ltd (BEES) was established in May 1996. BEES has experience in energy service delivery for local government and specialises in greenpower and renewable energy options. BEES was engaged by Moreland Council to assist them put together their unique energy contract and evaluate their tender responses.

BEES also worked with TXU to identify various renewable energy sources, prepare an environmental effects/impact statement and then seek registration of each source with SEDA.

Clients have included Madden Interiors (for Oracle Corporation), City of Dandenong, Victorian Local Governance Association, Gowanbrae residents group, Burns Bridge (Melbourne) and City of Moreland.

Co-operative Energy Ltd was established in 1994. Since 1994 the co-operative has been a vigorous advocate of the aggregation of small consumers in the energy market.

QCT 0210

Description: Electricity Consultants for Community Power

Closing date: 4.00 pm, Thursday 4 October 2001

In 1998 and again in 2001 the co-operative negotiated energy supply arrangements for a group of non-profit aged care agencies.

Between 1999 and 2000 the co-operative worked on three energy aggregation projects – Union Energy, North East Energy Purchasing Project and North West Power. The North East Energy Purchasing Project was sponsored by local Councils in North East Victoria and was completed in 2000.

In 2000 the co-operative organised an energy aggregation workshop with the support of the Victorian Local Governance Association, the City of Moreland and the Co-operative Federation of Victoria Ltd. USA co-operative energy consultant, Robert L. Church, was brought to Australia for the workshop and other meetings.

With the Co-operative Federation of Victoria Ltd, the co-operative is currently working with a number of local governments and co-operatives in preparation for the contestable energy market:

Councils	Co-operatives
Rural City of Wangaratta	Herd Improvement Co-op.(Maffra) Ltd
City of Wodonga	Warmambool Co-operative Society Ltd
Indigo Shire	WAW Credit Union (North East Victoria)
Towong Shire	CEPA Co-op.Ltd. (Bendigo)

The four co-operatives have a combined membership in excess of 30,000

Co-operative Purchasing Services Ltd was established in 1989. The co-operative aggregates the buying power of local government and in effect operates a one-stop shop with a huge range of goods and services including stationery, office furniture & equipment, motor vehicles, fuel, human resources and telecommunications services to name a few examples. The co-operative has specialist skills in contract management and monitoring. All local governments in Victoria are members of CPS and use the services available to varying degrees. CPS has resolved to work collaboratively with established energy co-operatives to assist its members in maximising the benefits available through deregulation of the industry.

Principal Consultants Profiles

Roger Lamb is a professional electrical engineer who has had 25 years experience in the electricity industry. He established BEES in May 1996. Prior to the establishment of BEES the ten previous years were as Chief Executive Officer of the Council owned Brunswick Electricity Supply and subsequently as Environmental Manager of Citipower.

Graeme Charles is Foundation Chairman of Co-operative Energy Ltd. He was Principal Consultant for the North East Energy Purchasing Project commissioned by Councils in North East Victoria and for the North West Energy Project sponsored by Gateway BEET Ltd. Over the last five years he has also worked as an energy broker and clients have

QCT 0210

Description: Electricity Consultants for Community Power

Closing date: 4.00 pm, Thursday 4 October 2001

included the National Meat Association of Australia (Victoria), Alpine Health, City of Wodonga, Tallangatta Hospital and Corryong Hospital

Max Fonovic is the CPS Marketing Manager and well known to Council Officers for his willingness to assist them in maximising savings through the use of CPS contracts. Max has been with CPS for the past 4 years and brought with him a wealth of experience from the commercial sector. Max holds a degree in Urban Studies and diploma in Business Administration.

David Griffiths is Secretary of Co-operative Energy Ltd. He has researched co-operatives extensively for over 25 years and has authored numerous publications on co-operation including energy co-operatives and the problems and opportunities for small consumers in the deregulated energy market. He is also a director of Co-operative Purchasing Services Ltd and the Co-operative Federation of Victoria Ltd.

Context

It is assumed that the City of Darebin is committed to a competitive electricity contract that uses purchasing power to obtain additional benefits for Council and the community such as

- Use of the network skills, resources and programs in running energy management programs for the benefit of Council and community
- Reduction in the retail price of Green Power
- Active participation in Joint council/community energy management/education programs
- Specific benefits for certain sections of the community by allowing less stringent conditions re the way electricity is retailed e.g. longer lead time before cut off for non payment, research into why certain groups have payment difficulty by providing access to data, referral to a third part rather than auto cut off etc.
- Access to network data, software, training as a means of setting up an in house PC based maximum demand minimization program.
- Co-operation by the network in the event that the community sought to set up a community operated renewable energy system i.e. use of the network to wheel power from micro generator to purchaser.
- Access to the network newsletter and market research data.

Considerable work has been undertaken in the USA on the opportunities, and risks, for local government and their communities in the energy market and some key source documents are listed in Appendix A.

Council may also consider the option of retaining the consultant or another consultant to monitor and manage the activities of the retailer in conjunction with any Community Power Group and the the regular ongoing reports to be submitted by the retailer to the Council and to provide ongoing support to residents and businesses in their arrangements. If agreed this option would be covered in the work to be undertaken.

QCT 0210

Description: Electricity Consultants for Community Power

Closing date: 4.00 pm, Thursday 4 October 2001

It is our experience that any contractual regime, including energy supply contracts need to be managed on an ongoing basis.

The majority of retailers appear to be currently unwilling to enter into partnership arrangements focussed on the emerging contestable market in 2002.

This makes it risky, therefore, to enter into arrangements with one of the few retailers who may currently be willing to consider doing so.

There are four major factors influencing the possible development of partnership agreements:

1. The actual and perceived history of previous partnership agreements and attempts to aggregate individual consumers.
2. The underdevelopment of market rules.
3. Uncertainty about market conditions from 2002.
4. The actual and perceived viability of partners.

Negotiating power supply arrangements with retailers is proportionate to numbers and volume – the numbers of consumers and their combined energy load. It also depends on actual numbers and volume – rather than potential numbers and volume.

The capacity to negotiate deals increases in proportion to tender specifications –i.e. details of contestable sites, preferred supply period, preferred type of contract and value-added services sought.

Specifications

Provision of research and advice to Council regarding the establishment of an electricity purchasing group for residents and small business. Finalisation of a pre-tender partnership arrangement with an electricity retailer/or the preparation and assessment of tender documentation to appoint a retailer that best meets the needs of Council and the community.

Step 1 Tasks	Fee
Research, negotiate and make recommendations to Council regarding pre-tender retailer partnership or tender model be pursued. This would include consideration of benefits and limitations and variations to these models. The tender model, for instance, could be simply price and service based or the means for establishing a partnership arrangement.	\$2000

QCT 0210**Description: Electricity Consultants for Community Power****Closing date: 4.00 pm, Thursday 4 October 2001**

<p>If agreed by Council, this would include identifying a start-up load for the partnership and tender model e.g. Council, business and other sites that could be committed to the partnership and/or tender.</p> <p>Including meetings with key individuals and groups in Darebin such as the Community Power Working Group as specified by Council.</p>	
---	--

Step 2a Tasks	Fee
<p>Co-ordinate finalisation of partnership contract with retailer based on Council preferences and objectives.</p> <p>Tasks build-on and follow from process of Step 1 and subsequent Council decision. Key issues would include:</p> <ul style="list-style-type: none">• Fixed or variable pricing.• Risk exposure and management,• Greenpower services and options.• Demand management.• Billing/payment options.• Service options.• Marketing proposals.• Other value-added services. <p>Unless Council has a preferred supplier this would require meetings with retailers to identify and discuss the options for partnership arrangements. This necessarily involves discussing the requirements of Council and the community.</p> <p>Meetings with key individuals and groups in Darebin such as the Community Power Working Group as specified by Council to discuss contractual arrangement options.</p> <p>If decided by Council before or after Task</p>	<p>\$1500 without significant start-up load.</p>

QCT 0210**Description: Electricity Consultants for Community Power****Closing date: 4.00 pm, Thursday 4 October 2001**

1, an additional task would be the organisation of a start-up load. See Assumptions.	
--	--

Step 2b Tasks	Fee
<p>Preparation of tender documentation.</p> <p>Tasks build-on and follow from process of Step 1 and subsequent Council decision.</p> <p>Key issues would include:</p> <ul style="list-style-type: none">• Fixed or variable pricing.• Risk exposure and management,• Greenpower services and options.• Demand management.• Billing/payment options.• Service options.• Marketing proposals.• Other value-added services. <p>If decided by Council before or after Task 1, an additional task would be the organisation of a start-up load. See Assumptions.</p>	<p>\$1750 without significant start-up load.</p>

Step 3 Tasks	Fee
<p>Evaluating tenders and making recommendations to Council.</p> <p>Meetings with retailers will be necessary to clarify and a comparative analysis prepared of tender submissions with recommendation based on Council preference and objectives.</p> <p>This would include proposals on each requirement in the tender documentation.</p>	<p>\$1 500</p>

QCT 0210**Description: Electricity Consultants for Community Power****Closing date: 4.00 pm, Thursday 4 October 2001**

Step 4 Tasks	Fee
Formalise documentation including ongoing management and administration arrangements. This would include identifying options for ongoing management arrangements to ensure Council objectives are met. Meetings with key stakeholders to determine levels of preference and support for ongoing management arrangements.	\$1500

Step 5 Tasks	Fee
Co-ordination of Community Interface and Communication Plan. This would include identifying the elements of a community interface and communication plan and how this relates to ongoing management arrangements.	\$750

Assumptions

Given the 16 November 2001 deadline, if our quotation was to succeed there would be an immediate start.

Costing is based on \$500 per day all inclusive.

Built into the costing is the assumption that the consultants will be required to meet with and make presentations to up to six meetings of the Community Power Working Group or other meetings as required by Council. Ongoing liaison with a designated officer of Council on whatever basis determined by Council is also built into the costing.

It does not include work that may be required to identify and capture base load sites as part of an initial purchasing load. It is estimated that five days work (\$2500) would be sufficient to establish an initial base load through site visits and preparing the necessary documentation. Subject to discussions, however, the number of base load sites could decrease as would the time and cost involved.

It has been assumed that partnership agreements and tender documents could be verified through the Council's legal advisers. If not, advice could be secured but this would be subject to a separate costing.

QCT 0210

Description: Electricity Consultants for Community Power

Closing date: 4.00 pm, Thursday 4 October 2001

Other Councils

Fees would be impacted in two ways if other councils became involved. Fees would increase to include additional documentation and any site information. Otherwise the fees would not be affected.

QCT 0210

Description: Electricity Consultants for Community Power

Closing date: 4.00 pm, Thursday 4 October 2001

Appendix A

Energy Division, Chicago Department of Environment **A Municipal Guide to Load Management Cooperative Programs: A White Paper**, Public Technology Inc, June 1996

Guinane, Kay **Group Buying Power: Meaningful Choices for Energy Consumers**, Environment Action Foundation, May 1997

Keeping the Lights On Aggregation Guide: Local Aggregation Guidebook for Local Governments, Public Technology Inc, 1998

Marshall, Pam and Colton, Roger D **Aggregating Low Income Customers: Can Market-Based Solutions Fix Market-based problems?**. Energy CENTS Coalition, June 1998

Urban Consortium Energy Task Force **Case Studies Keeping the Lights On: Local Government Experiences in Preparing for a Competitive Electricity Market**, Utility Restructuring Unit Report for Year 1998, Public Technology Inc, August 1998

Urban Consortium Energy Task Force **Community Franchise Study: An Option for Local Governments Facing the Challenge of Electric Utility Industry Restructuring**, Public Technology Inc, December 1996

Urban Consortium Energy Task Force **Direct Access Electricity Procurement for Municipal Access: Final Report**, Public Technology Inc, April 1998

Urban Consortium Energy Task Force **Power in Numbers: Aggregating Small Businesses for Energy Efficiency Services**, Public Technology Inc, December 1997

Co-operative Energy Ltd

Co-operative Energy Ltd is incorporated under Victoria's Co-operatives Act 1996:

Registration Date: 20 December 1994
Registration Number: G2994N
Tax File No: 758 063 869
Australian Business Number: 90 780 949 487
GST Registration Number: 90 780 949 487

The co-operative has been involved in the following working groups of the Office of the Regulator-General, Victoria:

- Contestability Reference Group (Electricity)
- Minimum Standards Working Group (Electricity)
- Minimum Retail Standards Working Group (Gas)

The co-operative has made the following submissions to ORG's distribution pricing and minimum retail standards reviews:

- **Capital Consultation**, Submission to Distribution Pricing Review Consultation Paper No 4, 4 June 1999
- **Competition Standards**, March 2000
- **Contestability Benefits & Costly Risks**, Submission to Distribution Pricing Review Consultation Paper No 2, 10 February 1999
- **Co-op Power is Community Power, Prepared for North East Victoria Energy Purchasing Group**, 1999-2000
- **Small Consumer Empowerment** (Revised) 2000
- **The Energy Trade Off**, February 2000
- **The Form of Price Control and Consultation**, Submission to Distribution Pricing Review Consultation Paper No 3, 22 January 1999
- **2001 Electricity Distribution Price Review Framework and Approach**, Submission to Distribution Pricing Review, 13 July 1998
- **2001 Electricity Distribution Price Review Framework and Approach**, Submission to Distribution Pricing Review, 27 July 1998

The co-operative has also published the following reports:

- **Consumer Aggregation**, Prepared for Gateway BEET Inc, 1999 – 2000
- **Co-op Power is Community Power**, Prepared for North East Victoria Energy Purchasing Group, 1999 – 2000
- **Consumer Aggregation**, Prepared for Gateway BEET Inc, 1999-2000
- **Group Buying Power Bibliography**, February 2000

QCT 0210

Description: Electricity Consultants for Community Power

Closing date: 4.00 pm, Thursday 4 October 2001

- **Group Buying Power: Energy co-operatives empowering small consumers**, July 2000
- **New Government New Direction New Energy: Empowering individuals and their communities through co-operation – mutuality instead of dependence and subservience**, July 2000
- **Regional Energy Options**, North East Victoria Energy Purchasing Group, 2000
- **Small Consumer Empowerment**, 1999
- **Union Energy: Empowering Small Consumers**, Union Energy Project, 2000

The co-operative is a member of:

- Co-operative Federation of Victoria Ltd
- National Rural Electric Cooperative Association (USA)

The co-operative is involved in the following advocacy, education and aggregation projects:

- The North West Project
- The North East Energy Purchasing Project
- The Co-opEnergy Purchasing Group Project
- The Union Energy Project